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**FISCAL IMPACT STATEMENT**

**LS 6256**

**BILL NUMBER:** SB 142

**NOTE PREPARED:** Nov 23, 2014

**BILL AMENDED:**

**SUBJECT:** Beverage Container Deposits.

**FIRST AUTHOR:** Sen. Randolph

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ GENERAL  
☒ DEDICATED  
☐ FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** *Beverage Container Deposits:* This bill requires returnable beverage containers to be used beginning in 2016. It requires a \$0.10 refundable deposit on each container. It allows manufacturers or distributors to be the originator of the deposit. It requires retailers to make cash refunds to consumers. It requires distributors to make cash refunds to retailers. It requires an originator of deposits to file a deposit report with the state and pay any excess deposits the originator collects. It provides that excess deposits are to be used to compensate retailers for taking returns, to cover administrative costs of the state, and to provide revenue to the Recycling Promotion and Assistance Fund. The bill also provides that the Department of State Revenue is the administrator of the beverage container deposit program.

*Penalty Provisions:* The bill imposes a penalty for a general violation of the law of at least \$100 but not more than \$1,000 plus costs and attorney's fees associated with a civil action filed to collect the penalty. It provides that a person who returns or attempts to return nonreturnable containers commits either: (1) a Class C infraction if it involves at least 25 but not more than 100 nonreturnable containers; or (2) a Class C misdemeanor if it involves more than 100 nonreturnable containers or is a second or subsequent violation. It requires that the person must also pay the amount of loss caused to the retailer by the violation. The bill also requires retailers to post a sign setting forth these penalties.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The bill increases costs for the DOR to adopt rules, receive reports from distributors and manufacturers, and audit, assess, and collect unclaimed deposit money. The cost of administering the program could be offset by 2% of the money in the Bottle Deposit Fund that is annually appropriated to the DOR to offset the cost of administering the program.

This percentage of the money in the fund is estimated to range from \$0.3 M to \$1.0 M.

**Explanation of State Revenues: Summary** - This bill provides that a deposit of \$0.10 must be paid upon removal of any beverage container containing a beverage from a sale or consumption area. Unredeemed deposits collected by a distributor or manufacturer must be paid to the DOR. These amounts must be deposited in the Bottle Deposit Fund and distributed as follows:

- (1) 25% must be paid to retailers to be apportioned to each retailer during the last business week in July each year, on the basis of the number of empty returnable containers handled by a retailer the previous year as determined by the DOR.
- (2) 2% is annually appropriated to the DOR on July 31 each year to offset the cost of administering the program.
- (3) The remainder (73%) is to be transferred on the first business day in August each year to the Indiana Recycling Promotion and Assistance Fund.

The estimated fiscal impact is provided in the following table.

Revenue distributed to . . .	FY 2018 and after
Retailers	\$4.2 M to \$12.6 M
Department of State Revenue	\$0.3 M to \$1.0 M
Recycling Promotion and Assistance Fund	\$12.3 M to \$36.9 M
Total	\$16.8 M to \$50.5 M

*State Solid Waste Management Fees:* Establishing bottle deposits for beverage containers would likely result in a decrease in the amount of waste disposed. As a result, there could be a minimal decrease in revenue from the state Solid Waste Management Fee, which is imposed at a rate of \$0.50 per ton on the disposal or incineration of solid waste in a final disposal facility. Revenue from the \$0.10 per ton solid waste disposal fee for municipal waste could also decrease.

*Penalty Provisions:* If additional court cases occur and fines are collected, revenue to both the Common School Fund (from fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class C misdemeanor is \$500. However, any additional revenue would likely be small.

The maximum judgment for a Class C infraction is \$500, which would be deposited in the state General Fund. However, any additional revenue is likely to be small.

**Additional Information** - The bill provides that a distributor or manufacturer is to collect a \$0.10 deposit on a beverage in a beverage container sold to a retailer, and a retailer is to collect a \$0.10 deposit from a consumer. When the consumer returns the beverage container to a retailer, the \$0.10 deposit is returned, and the distributor or manufacturer pays the retailer \$0.10 for each beverage container returned. A retailer does not charge a consumer who consumes a beverage from the beverage container on site and is not required to refund more than \$25.00 in any one day. Each beverage container is embossed, stamped, or labeled with indication of the refund value of the container and the name Indiana.

The fiscal impact estimates were derived based on historical beverage container deposit data from Michigan, Maine, and Iowa imputed to Indiana based on a ratio of Indiana's population to the other states' populations. The estimates also assume a beverage container recovery rate of 85% to 95%. The actual revenue received from excess deposits would differ depending upon the fluctuation of recovery rates, which would also be affected by the convenience of the redemption process and redemption centers.

For FY 2014, about \$5.4 M was generated from the state Solid Waste Management Fee. Currently, not less than 50% of the revenue in the fund is deposited in the Indiana Recycling Promotion and Assistance Fund and not more than 50% in the state Solid Waste Management Fund. For FY 2014, the state Solid Waste Management Fund received about \$2.72 M, and the Recycling Promotion and Assistance Fund received about \$2.71 M. From FY 2009 to FY 2014, average annual revenue from this fee has been about \$5.3 M.

Revenue from the \$0.10 per ton solid waste disposal fee for municipal waste was about \$1.06 M for FY 2014, and was deposited in the Environmental Management Permit Operation Fund.

**Explanation of Local Expenditures:** *Penalty Provision:* A Class C misdemeanor is punishable by up to 60 days in jail.

The bill allows for the creation of regional redemption centers, but does not specify whether they will be established and operated by local governments. If local governments establish redemption centers, there could be up-front costs and operating costs, including employee salaries and fringe benefits.

**Explanation of Local Revenues:** Solid waste management districts with final disposal fees (up to \$2.50 per ton) could experience a decrease in revenue from these fees. Also, local units of government and solid waste management districts that own or operate solid waste landfills could experience decreases in revenue if there is a decrease in the amount of waste disposed.

If local governments establish redemption centers, they may recover additional scrap material that could be sold and assist in covering the costs of operating redemption centers.

*Penalty Provision:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, any change in revenue would likely be small.

**State Agencies Affected:** Department of State Revenue.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Marcy Ritsick, Connecticut Office of Fiscal Analysis; Michigan Bottle Deposit Law Frequently Asked Questions, Updated October 7, 2013; Michigan Department of Treasury; Maine Department of Agriculture, A Report Prepared for the 123<sup>rd</sup> Legislature Joint Standing Committee on Business, Research and Economic Development; Bill Blum, Iowa Department of Natural Resources; Economic Census, Retail Trade: Subject Series-Product Lines: Product Lines Statistics by Kind of Business for the United States and States: 2007; 2010 Census State Populations.

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